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Department of Finance Canada

Canada

The Fiscal Monitor
A publication of the Department of Finance

Highlights

July 2015: budgetary surplus of $0.2 billion

There was a budgetary surplus of $0.2 billion in July 2015, compared to a deficit of $1.2 billion in July 2014. Revenues increased by $2.1 billion, or 9.8 per cent, reflecting higher corporate income tax and Goods and Services Tax (GST) revenues. Program expenses increased by $0.9 billion, or 4.2 per cent, reflecting increases in major transfers to persons and other levels of government, offset in part by a decrease in direct program expenses. Public debt charges decreased by $0.1 billion, or 4.8 per cent.

April to July 2015: budgetary surplus of $5.2 billion

For the April to July 2015 period of the 2015–16 fiscal year, the Government posted a budgetary surplus of $5.2 billion, compared to a deficit of $0.8 billion reported in the same period of 2014–15. Revenues were up $8.3 billion, or 9.3 per cent, reflecting increases in all revenue streams. Program expenses were up $3.0 billion, or 3.8 per cent, due mainly to increases in major transfers to persons and other levels of government. Public debt charges were down $0.7 billion, or 7.2 per cent, reflecting a lower average effective interest rate on the stock of interest-bearing debt.

July 2015

There was a budgetary surplus of $0.2 billion in July 2015, compared to a deficit of $1.2 billion in July 2014.

Revenues increased by $2.1 billion, or 9.8 per cent, to $23.9 billion.

- Personal income tax revenues were up $0.3 billion, or 3.1 per cent.
- Corporate income tax revenues were up $0.8 billion, or 38.7 per cent.
- Non-resident income tax revenues were up $0.1 billion, or 12.1 per cent.
- Excise taxes and duties were up $0.5 billion, or 11.4 per cent. This rise is mostly due to a $0.4-billion, or 14.8-per-cent, increase in GST revenues. Energy taxes were up $7 million, customs import duties were up $0.1 billion, and other excise taxes and duties were down $20 million.
- Employment Insurance (EI) premium revenues were up $0.1 billion, or 3.7 per cent, reflecting growth in earnings.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were up $0.4 billion, or 18.1 per cent.

Program expenses in July 2015 were $21.3 billion, up $0.9 billion, or 4.2 per cent, from July 2014.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by $0.7 billion, or 11.2 per cent. Elderly benefits increased by $0.1 billion, or 3.0 per cent, due to growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $0.1 billion, or 4.9 per cent. Children's benefits

increased by $0.5 billion, or 46.6 per cent, due mainly to the enhancement and expansion of the Universal Child Care Benefit (UCCB) effective January 2015.

- Major transfers to other levels of government consist of federal transfers in support of health and other social programs (primarily the Canada Health Transfer and the Canada Social Transfer), fiscal arrangements and other transfers (Equalization, transfers to the territories, as well as a number of smaller transfer programs), transfers to provinces on behalf of Canada's cities and communities, and the Quebec Abatement. Major transfers to other levels of government increased by $0.9 billion, or 16.2 per cent, due to legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories, as well as an increase in transfers to Canada's cities and communities, reflecting timing factors.
- Direct program expenses include transfer payments to individuals and other organizations not included in major transfers to persons and other levels of government, and other direct program expenses, which consist of operating expenses of National Defence, other departments and agencies, and expenses of Crown corporations. Direct program expenses were down $0.7 billion, or 7.3 per cent. Within direct program expenses:
  - Transfer payments decreased by $0.3 billion, or 11.7 per cent.
  - Other direct program expenses decreased by $0.4 billion, or 5.7 per cent.

Public debt charges decreased by $0.1 billion, or 4.8 per cent, reflecting a lower average effective interest rate on the stock of interest-bearing debt.

April to July 2015

For the April to July 2015 period of the 2015–16 fiscal year, there was a budgetary surplus of $5.2 billion, compared to a deficit of $0.8 billion reported during the same period of 2014–15.

Revenues increased by $8.3 billion, or 9.3 per cent, to $97.2 billion.

- Personal income tax revenues were up $2.0 billion, or 4.8 per cent.
- Corporate income tax revenues were up $1.3 billion, or 11.0 per cent.
- Non-resident income tax revenues were up $0.1 billion, or 6.9 per cent.
- Excise taxes and duties were up $1.6 billion, or 9.9 per cent. This rise is mostly due to a $1.3-billion, or 11.5-per-cent, increase in GST revenues. Energy taxes were up $0.1 billion, customs import duties were up $0.2 billion, and other excise taxes and duties were up $45 million.
- EI premium revenues were up $0.3 billion, or 3.7 per cent, reflecting growth in earnings.
- Other revenues were up $2.9 billion, or 34.4 per cent, primarily reflecting the gain realized on the sale of the Government's remaining holdings of General Motors common shares in April 2015.

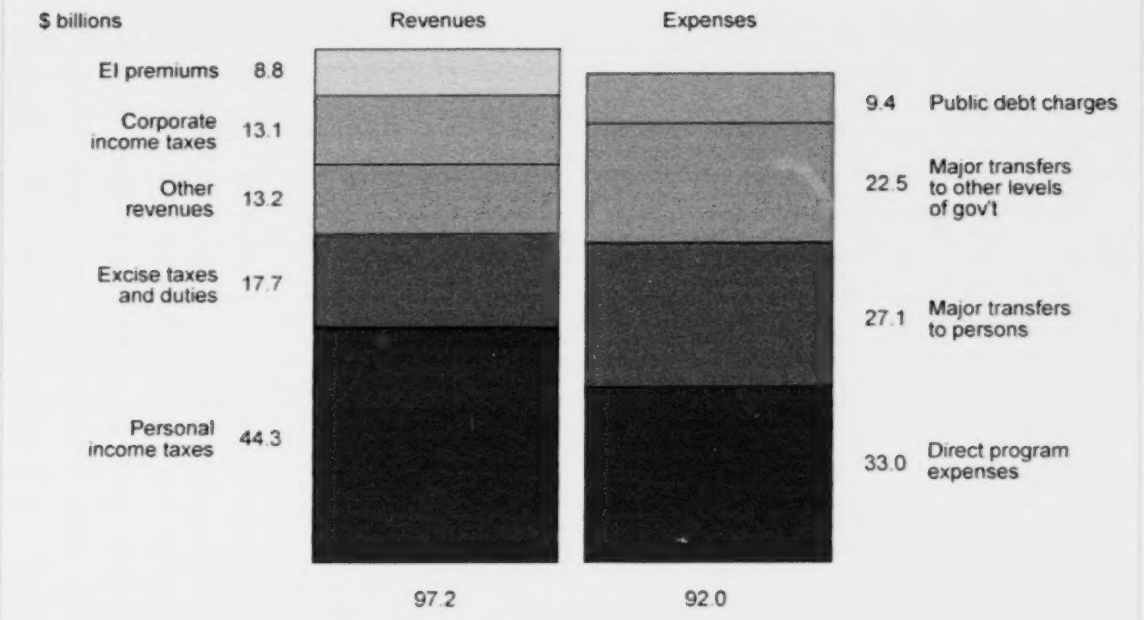
For the April to July 2015 period, program expenses were $82.6 billion, up $3.0 billion, or 3.8 per cent, from the same period the previous year.

- Major transfers to persons were up $2.7 billion, or 11.0 per cent. Elderly benefits increased by $0.7 billion, or 4.9 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $0.3 billion, or 5.0 per cent. Children's benefits were up $1.7 billion, or 39.6 per cent, largely reflecting increased benefits related to the expansion and enhancement of the UCCB.
- Major transfers to other levels of government were up $1.0 billion, or 4.6 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.

- Direct program expenses were down $0.6 billion, or 1.9 per cent. Within direct program expenses:
    - Transfer payments increased by $0.1 billion, or 0.8 per cent.
    - Other direct program expenses decreased by $0.7 billion, or 2.9 per cent, due in large part to a decrease in pension and benefit costs, offset in part by an increase in operating expenses of Crown corporations.

Public debt charges decreased by $0.7 billion, or 7.2 per cent, reflecting a lower average effective interest rate on the stock of interest-bearing debt.

Revenues and expenses (April to July 2015)



Note: Totals may not add due to rounding.

Financial requirement of $14.2 billion for April to July 2015

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary surplus of $5.2 billion and a requirement of $19.4 billion from non-budgetary transactions, there was a financial requirement of $14.2 billion for the April to July 2015 period, compared to a financial requirement of $6.6 billion for the same period the previous year.

Net financing activities up $24.5 billion

The Government financed this financial requirement of $14.2 billion and increased cash balances by $10.3 billion by increasing unmatured debt by $24.5 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds and treasury bills.

The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of July 2015 stood at $38.2 billion, up $4.7 billion from their level at the end of July 2014.

Table 1
Summary statement of transactions
$ millions

	July		April to July	
	2014	2015	2014–15	2015–16
Budgetary transactions				
Revenues	21,736	23,856	88,893	97,171
Expenses				
Program expenses	-20,476	-21,334	-79,588	-82,630
Public debt charges	-2,491	-2,372	-10,112	-9,380
Budgetary balance (deficit/surplus)	-1,231	150	-807	5,161
Non-budgetary transactions	-4,279	-9,138	-5,755	-19,401
Financial source/requirement	-5,510	-8,988	-6,562	-14,240
Net change in financing activities	7,352	19,214	14,050	24,515
Net change in cash balances	1,842	10,226	7,488	10,275
Cash balance at end of period			33,563	38,226

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

Table 2
Revenues

	July			April to July		
	2014 ($ millions)	2015 ($ millions)	Change (%)	2014–15 ($ millions)	2015–16 ($ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	11,121	11,466	3.1	42,268	44,317	4.8
Corporate income tax	2,048	2,840	38.7	11,836	13,138	11.0
Non-resident income tax	453	508	12.1	1,757	1,878	6.9
Total income tax	13,622	14,814	8.8	55,861	59,333	6.2
Excise taxes and duties						
Goods and Services Tax	2,829	3,249	14.8	10,848	12,100	11.5
Energy taxes	469	476	1.5	1,753	1,852	5.6
Customs import duties	447	526	17.7	1,534	1,733	13.0
Other excise taxes and duties	515	495	-3.9	1,998	2,043	2.3
Total excise taxes and duties	4,260	4,746	11.4	16,133	17,728	9.9
Total tax revenues	17,882	19,560	9.4	71,994	77,061	7.0
Employment Insurance premiums	1,773	1,839	3.7	8,494	8,810	3.7
Other revenues	2,081	2,457	18.1	8,405	11,300	34.4
Total revenues	21,736	23,856	9.8	88,893	97,171	9.3

Note: Totals may not add due to rounding.

Table 3
Expenses

	July			April to July		
	2014 ($ millions)	2015 ($ millions)	Change (%)	2014–15 ($ millions)	2015–16 ($ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,604	3,712	3.0	14,273	14,971	4.9
Employment Insurance benefits	1,286	1,349	4.9	5,869	6,165	5.0
Children's benefits	1,060	1,554	46.6	4,275	5,968	39.6
Total	5,950	6,615	11.2	24,417	27,104	11.0
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,676	2,835	5.9	10,705	11,342	6.0
Canada Social Transfer	1,049	1,080	3.0	4,194	4,320	3.0
Total	3,725	3,915	5.1	14,899	15,662	5.1
Fiscal arrangements and other transfers	1,641	1,703	3.8	7,155	7,421	3.7
Canada's cities and communities	357	979	174.2	987	979	-0.8
Quebec Abatement	-375	-385	2.7	-1,503	-1,538	2.3
Total	5,348	6,212	16.2	21,538	22,524	4.6
Direct program expenses						
Transfer payments						
Aboriginal Affairs and Northern Development	443	546	23.3	2,053	2,143	4.4
Agriculture and Agri-Food	46	72	56.5	125	247	97.6

Employment and Social Development	509	424	-16.7	1,509	1,798	19.2
Foreign Affairs, Trade and Development	157	132	-15.9	627	662	5.6
Health	219	318	45.2	1,165	1,179	1.2
Industry	168	176	4.8	691	707	2.3
Other	971	552	-43.2	3,411	2,919	-14.4
Total	2,513	2,220	-11.7	9,581	9,655	0.8
Other direct program expenses						
Crown corporations	754	616	-18.3	2,329	2,646	13.6
National Defence	1,848	1,728	-6.5	6,439	6,349	-1.4
All other departments and agencies	4,063	3,943	-3.0	15,284	14,352	-6.1
Total other direct program expenses	6,665	6,287	-5.7	24,052	23,347	-2.9
Total direct program expenses	9,178	8,507	-7.3	33,633	33,002	-1.9
Total program expenses	20,476	21,334	4.2	79,588	82,630	3.8
Public debt charges	2,491	2,372	-4.8	10,112	9,380	-7.2
Total expenses	22,967	23,706	3.2	89,700	92,010	2.6

Note: Totals may not add due to rounding.

Table 4
The budgetary balance and financial source/requirement
$ millions

	July		April to July	
	2014	**2015**	**2014–15**	**2015–16**
Budgetary balance (deficit/surplus)	-1,231	150	-807	5,161
Non-budgetary transactions				
Capital investment activities	-451	-378	-1,096	-1,100
Other investing activities	1,946	-594	4,237	-895
Pension and other accounts	354	93	1,229	346
Other activities				
Accounts payable, receivables, accruals and allowances	-5,112	-3,889	-13,709	-16,847
Foreign exchange activities	-1,328	-4,679	2,179	-2,395
Amortization of tangible capital assets	312	309	1,405	1,490
Total other activities	-6,128	-8,259	-10,125	-17,752
Total non-budgetary transactions	-4,279	-9,138	-5,755	-19,401
Financial source/requirement	-5,510	-8,988	-6,562	-14,240

Note: Totals may not add due to rounding.

Table 5
Financial source/requirement and net financing activities
$ millions

	July		April to July	
	2014	2015	2014–15	2015–16
Financial source/requirement	-5,510	-8,988	-6,562	-14,240
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	4,592	8,751	5,844	7,763
Treasury bills	2,100	6,000	9,500	11,200
Retail debt	-42	-21	-122	-79
Other	0	0	0	0
Total	6,650	14,730	15,222	18,884
Foreign currency borrowings	-120	1,894	-340	2,954
Total	6,530	16,624	14,882	21,838
Cross-currency swap revaluation	796	2,625	-970	2,410
Unamortized discounts and premiums on market debt	7	-21	106	372
Obligations related to capital leases and other unmatured debt	19	-14	32	-105
Net change in financing activities	7,352	19,214	14,050	24,515
Change in cash balance	1,842	10,226	7,488	10,275

Note: Totals may not add due to rounding.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

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